

ITT Data Privacy Approved

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A federal judge yesterday granted a request by International Telephone & Telegraph Corp. that sensitive documents it must turn over to the Securities and Exchange Commission for an upcoming investigation be withheld from the public.

U.S. District Court Judge George L. Hart Jr. agreed with ITT's plea that the documents "may contain confidential and highly sensitive commercial information." If made public, they may cause "substantial and irreparable injury" to ITT's business, and "may threaten the physical safety of individuals located abroad," ITT argued.

Yesterday's decision culminated months of wrangling over subpoenas issued by the SEC and ignored by ITT.

In March, subpoenas went to ITT chairman Harold Gencen and to Herbert Knortz, executive vice president. The SEC also called for the company to produce books, papers, correspondence, memoranda, and other records. None of these SEC demands was complied with by ITT.

In mid-April, with ITT bucking its order, the SEC went to court to force compliance with its subpoena. It also revealed at the time a document showing that ITT paid some \$300,000 to Italian tax agents to "facilitate" settlement of a dispute over how much the company owed in taxes between 1969 and 1972.

ITT's attorney argued that, by making this document public, the SEC endangered the life of an accountant with Arthur Anderson & Co. in Europe. The accountant had brought the alleged payoff to the attention of his superior at Arthur Anderson, which audits ITT's books.

The SEC apparently got

the document from Arthur Anderson. The "strictly confidential" interoffice memo from the accounting firm's Milan office contained the hand-written notation: "Copy given to Knortz"—the ITT executive vice president.

In its most recent annual report, ITT included a "special report" stating that the company made payments of \$3.8 million in other countries between 1971 and 1975.

The SEC wants a far more detailed accounting of foreign and domestic payments by ITT.

Judge Hart ordered ITT to comply with SEC subpoenas, but limited the commission's inquiry somewhat.

For example, the SEC wanted to inspect ITT's books from 1968 up to the present. Hart told the ITT to begin with 1970. The SEC wanted ITT to report illegal payments of \$1,000 or more, but Hart increased the amount to \$5,000.

ITT is also under investigation by the SEC on another matter. For nearly five years, the commission has been probing the 1970 merger of ITT and the Hartford. Specifically, the SEC is investigating the complicated transaction whereby ITT sold its stock in the Hartford to an Italian bank in order for the merger to be tax free.

The Internal Revenue Service, after conducting its own investigation, reversed itself and revoked the tax-free status granted at the time of the merger.